

"They write politics, we write government"

NOT-FAILING-OBAMACARE: ONE CHART

You've heard it said so many times by the usual GOP bunch: Obamacare is failing. Each time you hear it, it is a lie, an obvious lie. So much so that I can keep going to the well for an Obamacare-is-not-failing piece whenever I feel the need. The idea is that people aren't signing up (especially healthy ones), so premiums are going up and insurers are fleeing. Always, the caveat, especially in places where the ACA hasn't been fully implemented,

some marketplaces are not doing well. But let's attack the other part of the claim: health people aren't signing up.

My impetus to look at this was a single chart. Which I found in [NY Magazine](#), which referenced the [NY Times](#), which referenced [Standard & Poor's](#).

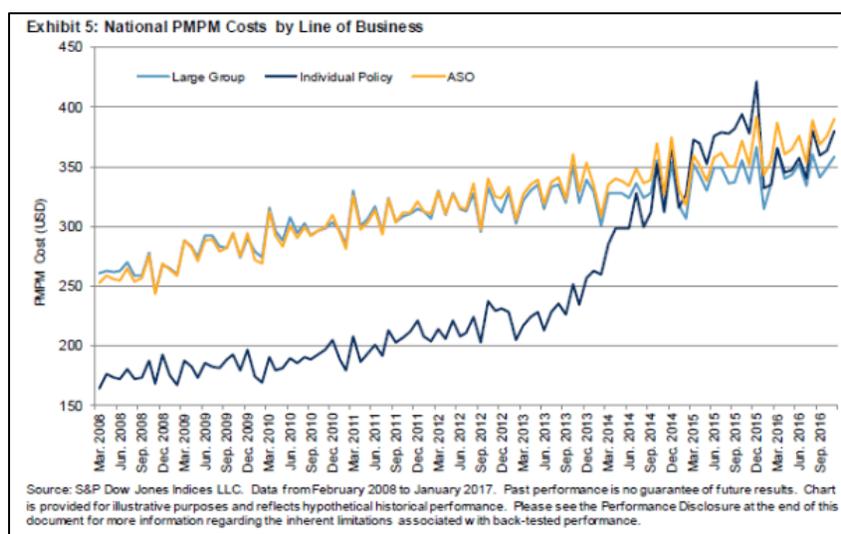
It doesn't look like much at first glance – but if you are me, it's a watershed.

What is going on here? Well, I actually didn't know this, but S&P actually maintains data on health claims per person, by month. Even better, they split it out by segment of the market. Large-group beneficiaries, whose insurance is sponsored by employers but underwritten by insurance companies, is in light blue. Administrative Services Only ("ASO") are similar, but for companies that self-insure their claims. This is in yellow; as you can

see they track large-group claims, as you would expect. Individual policies are in dark blue.

We can see here three different eras in the individual insurance market. Before the ACA was passed, insurers were able to restrict claims paid to individual policy holders with chronic conditions, whether through denial or exclusion. Therefore, they used to be far less expensive to insure. Then, in

2015, many of these people gained coverage for the first time, spending to catch up on needed medical care. Then, in 2016, this segment stabilized – with medical claim costs basically identical to the large group markets!



In other words, the people signing up for Obamacare-based coverage are a risk pool no worse than those that are employed at large companies. This is a) again, definitively not a death spiral and b) exactly what insurers should have been expecting. Sure, the catch-up spending caught them by surprise – but this really seems to be in the past now.

If this was all predictable, and we make the assumption that insurance companies know what they are doing, they why are premiums going up? Why are insurers leaving the marketplace? I don't

claim to know this definitively, but I have a few guesses.

First, recall that these are averages. Some jurisdictions have certainly created unattractive individual risk pools. But, many of these wounds are self-inflicted. For example, take Tennessee, which is having severe competitiveness problems. The state government there still permits insurance co-ops through its Farm Bureau that include medical underwriting requirements. For those who are younger and healthier, insurance will be cheaper at the Bureau. This degrades the risk pool in the “comprehensive” insurance market, i.e. the one that also takes care of sick people. Premiums go higher there; risk-averse health insurers go elsewhere.

Second, it does appear that some insurers just underpriced their policies initially. Maybe they were thinking about past data from the non-group market. Maybe they were “hoping” the risk pool would be better than the population generally. Maybe they were just trying to pick up market share in new markets.

Finally, and especially for premium levels being requested now, subversion by the GOP has greatly increased uncertainty in the market. Denial of risk corridor payments – money that was legally owed to the insurers – put a number out of business and created a risk for the remainder. Now, the Trump Administration is making similar threats to eliminate cost-sharing reduction payments or the individual mandate, or to allow new plans that would skim the cream off the risk pool. And health insurance is a long-term business: upfront cost to set up networks, profits in the long run by properly managing your business. After seven years of screeching about repeal, repeal, repeal – it just doesn’t make business sense.

But, this chart proves, as much as any chart can prove, the central point. There does not appear to be anything innate to Obamacare, sans GOP

sabotage, which would prevent individual insurance markets from surviving and thriving.